

They do not even have a phone number. They do not even have a real office. What they have is a scam. This is the kind of scam we ought to shut down.

Here is the building, a very nice building. On the fourth floor of this building, apparently 21,000 people are supposedly employed, at least for the purpose of records.

Now, it does not stop there. This is a story from late last month in the New York Times:

U.S. among countries investigating tax evasion.

This is in Liechtenstein. I have never been to Liechtenstein. I am sure it is a lovely place. But the Internal Revenue Service says:

It was beginning enforcement action against more than 100 U.S. taxpayers on suspicion of evading taxes through investments in Liechtenstein.

They have the Deputy Director of the Center for Tax Policy and Administration at the OECD saying Liechtenstein is the tip of the iceberg. Indeed, it is.

This kind of scam is going on down in the Cayman Islands, going on in Liechtenstein, going on in other tax haven places, but it is also happening with abusive tax shelters. Last year, I showed pictures of European sewer systems. People might ask: What does a European sewer system have to do with revenue in the United States? It turns out it has a lot to do with it because it turns out U.S. companies are buying European sewer systems. Later on in this debate I will show a picture of one of those. It may not be the most welcome picture on the Senate floor, of a European sewer system, but, nonetheless, this is part of an incredible scam that is going on in which U.S. companies buy European sewer systems, write them off on their books in the United States for tax purposes, and lease them back to the European cities that built them in the first place. That should not be allowed. That is not fair to the rest of us who pay what we owe.

Last year, when we went after some of these scams, the President threatened a veto. He said that would be a tax increase. I guess it would be a tax increase on those who are getting away without paying what they fairly owe, but I don't consider it a tax increase to make people pay what they already owe. I don't consider it a tax increase to shut down a tax scam. I don't consider it a tax increase to shut down these abusive tax shelters.

We tried to codify economic substance, prohibiting transactions with no economic rationale, done solely to evade taxes. We tried to shut down schemes to lease foreign subway and sewer systems and depreciate assets. We tried to end deferral of offshore compensation by hedge fund managers trying to evade current taxation. We tried to expand broker reporting. We tried to tax people who use expatriation to evade taxes. Over and over the President said: No, I will have to veto because that would be a tax increase.

I think the President has it entirely wrong. Those are not tax increases. Those are just making those folks pay what the rest of us are already paying.

In this budget we provide a number of enforcement mechanisms to try to help restore some fiscal discipline. We have discretionary caps for 2008 and 2009. We maintain a strong pay-go rule. We have a point of order against long-term deficit increases. We allow reconciliation for deficit reduction only, and we have a point of order against mandatory spending on an appropriations bill. These are important enforcement mechanisms that ought to be part of any budget resolution. They are part of ours. I hope they are adopted by my colleagues.

Finally, this budget resolution has provisions addressing long-term challenges. More daunting than any of our short-term problems is where this is all headed. We can't pay our bills now; that is, before the baby boomers retire. What is going to happen then? What is going to happen to the commitments that have been made in Social Security and Medicare? What is going to happen with this tremendous imbalance between spending and revenue? We have offered these three elements as part of an approach, understanding that the larger plan to deal with our fiscal problems is going to have to come in some sort of special process, a process that Senator GREGG and I have offered our colleagues to create a task force with 16 Members—eight Democrats, eight Republicans—and ask them to come back with a plan as to how to deal with long-term imbalances.

In this resolution, we have comparative effectiveness reserve fund and cap adjustment to deal with health care. One of the things we know is that lots of different health modalities are being used across the country to address illness. Some of them work and some don't. We have to know which ones work.

Second, we have program integrity initiatives to crack down on waste, fraud, and abuse in Social Security and Medicare. In fact, I received a letter from the Secretary of Health, Secretary Leavitt, thanking us for the program integrity funds that we have included so that he can continue his important investigations to shut down these Medicare fraud operations that he found in Florida and other parts of the country last year and that he is continuing to crackdown on.

He found a circumstance in which you go to these strip malls, and half of the offices in the strip malls are front organizations collecting Medicare payments. You go to the door and nobody is there during the day, during work time. They are just billing mills. They are sending out Medicare bills. Goodness knows if any service is actually being extended or not. But these are scams that are operating that need to be shut down.

We also have a point of order against long-term deficit increases which is

important to any strategy to contain burgeoning deficits and debt.

Before yielding the floor, I want to ask our colleagues for their cooperation. This is going to be an especially challenging budget. The numbers are very close on the two sides. We have two Presidential candidates on this side. They have a Presidential candidate on the other side. We know they may not be here for all of the deliberations. That means we are going to have to coordinate and cooperate. We also have a Member on our side who is ill. That means we will have a special challenge getting the budget done this year, but we must do it. We must get it done. I will be asking for all of our colleagues' cooperation as we proceed.

I yield the floor.

The PRESIDING OFFICER (Mr. CARDIN). The Senator from Iowa.

Mr. GRASSLEY. Mr. President, the chairman spoke about his budget. For Senator GREGG, the ranking member of the Budget Committee, I would like to start this debate on the Republican side. Since we are on the budget resolution, Senator GREGG would usually open debate for our side of the aisle. He wanted to take the lead today but has a necessary conflict in his schedule. He asked me to substitute, and I am pleased to do so. Senator GREGG will be here tomorrow to give what is normally the opening statement by the senior member of the Budget Committee on the Republican side.

I am going to first talk about the process and recent history of the Senate budget resolutions. Almost all of the revenue side of the budget is Finance Committee jurisdiction. Most of the spending side of the budget is also Finance Committee jurisdiction. For those of us who sit on the Finance Committee, we need to pay very careful attention to the budget. Chairman CONRAD, along with Senator WYDEN of Oregon and Senator STABENOW of Michigan, are all Finance Committee Democrats. This Senator, along with Senators BUNNING, CRAPO, and ENSIGN are all Finance Committee Republicans.

When I was Finance chairman for part of the year 2001 and all of the years 2003 through 2006, there was coordination regarding the fiscal resources and fiscal demands on the Finance Committee. That coordination occurred with respect to revenue levels, spending levels, and reconciliation instructions. Did we always agree over those years? The answer is no. Did we compromise when we had disagreements? The answer is most often yes. We did have some different priorities, but we worked through those differences during this committee's budget process. We came up with compromises that largely held together. I might add, those compromises and the levels regarding revenue spending and reconciliation instructions were in sync with the administration. My point is that we hashed out the fiscal differences in the Budget Committee and